

**CARBON SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**CARBON SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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## INDEPENDENT AUDITORS' REPORT

Honorable Board of Education  
Carbon School District  
Price, Utah 84501

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Carbon School District, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the financial section of the table of contents. These financial statements are the responsibility of Carbon School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carbon School District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2005, on our consideration of Carbon School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carbon School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying combining financial statements and accompanying financial information listed as supporting schedules is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING



Price, Utah

November 1, 2005

**CARBON SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2005**

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As management of the Carbon School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005. All of the financial activity results from governmental activities. The District does not have any "business-type" activities.

**FINANCIAL HIGHLIGHTS**

- ❖ Total revenues for the Maintenance and Operation fund (General fund) decreased to \$21,974,399 in 2005 from \$22,252,668 in 2004 a decrease of 1.25%. The decrease is mainly attributable to a large one time hold-harmless payment received in 2004 and a substantial decrease in State aid that has been offset by tax revenue and earnings on investments. The increase in tax revenue is attributable to an increase in the assessed valuation.
- ❖ Total expenditures increased for the Maintenance and Operation fund to \$21,528,847 in 2005 up from \$21,305,473 in 2004. This was an increase of 1.05%. This increase included a one time expenditure of hold-harmless funds from the previous year.
- ❖ The District's total net assets increased by \$1,856,816. The majority of this amount was due to the results of the increase in property tax revenue and purchases of capital assets.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. 1) The government-wide financial statements comprising the Statement of Net Assets and the Statement of Activities, 2) fund financial statements, and 3) notes to the financial statements. These comprise pages 15 - 37. This report also contains other supplementary information in addition to the basic financial statements.

**REPORTING THE DISTRICT AS A WHOLE**

Our analysis of the District as a whole begins on page 15. The Statement of Net Assets and Statement of Activities reports information about the District as a whole and about its activities in a way that helps determine if the District is better or worse off as a result of the year's activities. This information is presented in a manner similar to a private-sector business.

## **Government-wide financial statements.**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the District's overall financial status.

The *government-wide financial statements* can be found on pages 15 – 16 of this report.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee benefits). All of the District's revenues and expenditures are shown in this statement.

## **Fund financial statements.**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- ❖ **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital projects fund. These funds are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- ❖ **Fiduciary funds** are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups.

#### **Notes to the financial statements.**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements comprise pages 23 – 38 of this report.

#### **Other information.**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Other schedules that are helpful for District information are also presented. The District is also required to provide reports according to Government Auditing Standards, Single Audit Act and State of Utah audit compliance, which are also contained in the report.

### **THE DISTRICT AS A WHOLE**

The District's largest portion of net assets (62%) is reflected in its investment in capital assets (e.g., land, construction in progress, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable and obligations under capital leases) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, the resources needed to repay this debt must be provided from future sources, since the capital assets themselves cannot be liquidated to pay for these liabilities.



## CARBON SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities		Total Percentage Change 2004-2005
	2004	2005	
Current and other assets	\$ 25,924,418	\$ 27,145,055	4.7%
Capital assets (net of accumulated depreciation)	30,275,823	30,751,620	1.6%
Total assets	<u>\$ 56,200,241</u>	<u>\$ 57,896,675</u>	<b>3.0%</b>
Long-term debt outstanding	\$ 16,321,395	\$ 15,371,419	-5.8%
Other liabilities	15,946,937	16,736,530	5.0%
Total liabilities	<u>\$ 32,268,332</u>	<u>\$ 32,107,949</u>	<b>-0.5%</b>
Net assets:			
Invested in capital assets, net of related debt	\$ 14,564,773	\$ 15,880,778	9.0%
Restricted	5,904,532	7,068,586	19.7%
Unrestricted	3,462,601	2,839,358	-18.0%
Total net assets	<u><u>\$ 23,931,906</u></u>	<u><u>\$ 25,788,722</u></u>	<b>7.8%</b>

Net Assets of the District for the year ending June 30, 2005 are \$ 25,788,722. *Unrestricted* net assets - the part of net assets that can be used to meet the District's ongoing obligations to students, employees, and creditors - is \$2,839,358. This is a decrease over the previous year of 26.7%. Part of this balance of the unrestricted governmental net assets is earmarked for budgets amounts needed to pay for unused employee vacation and sick days. The District will need to include these amounts in future years' budgets as they come due. During the past several years, tax revenue, state and federal revenue have fallen short of amounts originally anticipated and part of this balance will be used to handle the shortfalls.

At the end of the current fiscal year, the District was able to report an increase in the net assets of 7.76%. The District also had an increase in the current and other assets of 3.02%. These increases have occurred because of increases in property tax revenue and capital expenditures for construction that have occurred in the current fiscal year and continue in the next fiscal year. The additional funds received are available for restricted and unrestricted purposes.

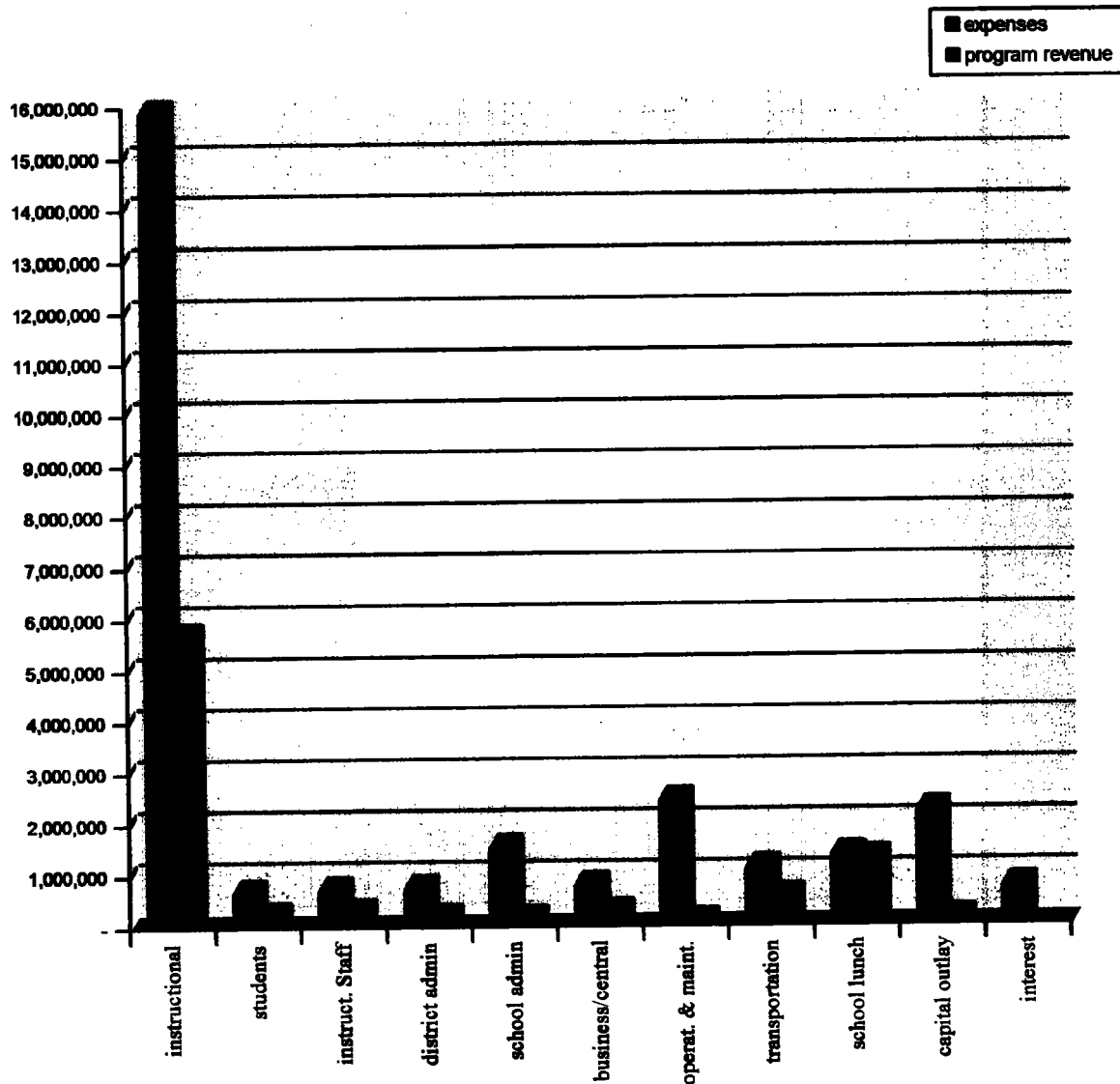
## CARBON SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	<b>Governmental Activities</b>		<b>Total Percentage</b>
	<b>2004</b>	<b>2005</b>	<b>Change</b>
			<b>2004-2005</b>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 398,836	\$ 390,329	-2.1%
Operating grants and contributions	8,451,838	8,183,315	-3.2%
Capital grants and contributions	83,500	108,700	30.2%
<b>General Revenues</b>			
Property taxes	10,808,936	12,008,946	11.1%
Federal and state aid not restricted to specific purposes	9,587,875	8,504,828	-11.3%
Earnings on investments	171,927	328,491	91.1%
Miscellaneous	685,515	427,764	-37.6%
<b>Total revenues</b>	<b>\$ 30,188,427</b>	<b>\$ 29,952,373</b>	<b>-0.8%</b>
<b>Program Expenses:</b>			
Instructional services	\$ 15,237,914	\$ 15,880,334	4.2%
<b>Supporting services:</b>			
Students	887,971	653,520	-26.4%
Instructional staff	746,254	703,745	-5.7%
District administration	679,583	729,075	7.3%
School administration	1,516,745	1,520,848	0.3%
Business	775,329	774,944	0.0%
Operation and maintenance of facilities	2,303,360	2,430,577	5.5%
Transportation	1,109,623	1,102,427	-0.6%
School lunch services	1,277,232	1,355,844	6.2%
Capital outlay	2,463,320	2,200,759	-10.7%
Interest on long-term liabilities	774,337	743,480	-4.0%
<b>Total expenses</b>	<b>\$ 27,771,668</b>	<b>\$ 28,095,553</b>	<b>1.2%</b>
<b>Increase in net assets</b>	<b>\$ 2,416,759</b>	<b>\$ 1,856,820</b>	<b>-23.2%</b>
<b>Net Assets - beginning</b>	<b>21,515,147</b>	<b>23,931,906</b>	<b>11.2%</b>
<b>Net Assets - ending</b>	<b>\$ 23,931,906</b>	<b>\$ 25,788,726</b>	<b>7.8%</b>

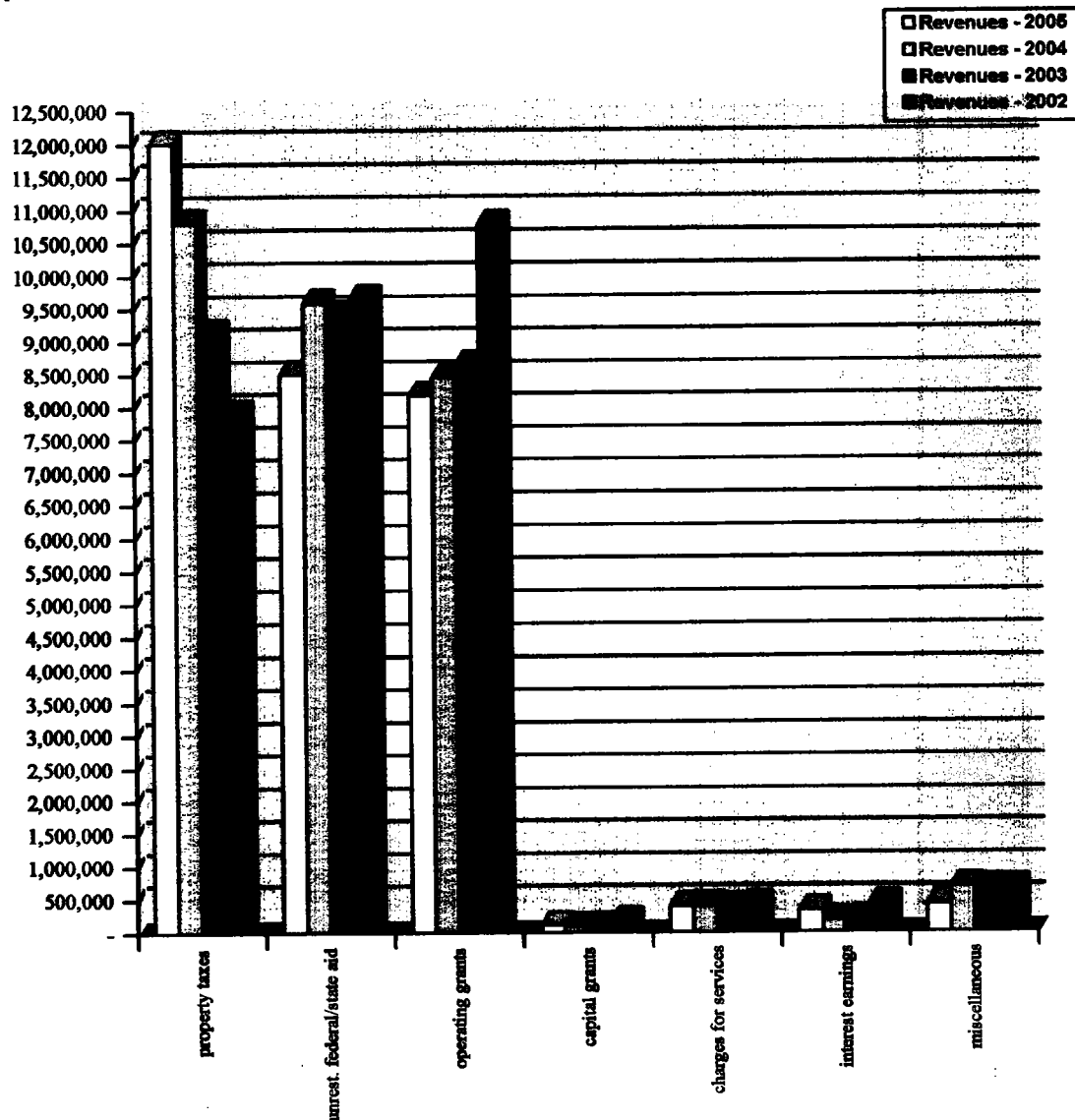
The District's total revenue decreased by .79% (\$236,054). The decrease in revenue is very minimal compared to the significant changes in revenue sources. The District is still experiencing a decrease in student enrollment, which is reflected in funds received from the minimum school program, as administered by the State of Utah. This revenue source is based upon WPU's (weighted pupil units). If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local taxes do not provide money equal to the guarantee, it will make up the difference with "state aid". Certain special students receive a weighting greater than one.

The District's total expenses increased by 1.17% (\$323,885). The increase in the expenditures has been anticipated, but is negligible when compared to overall expenses from the previous year.

### Expenses and Program Revenues – Governmental Activities



## Revenues by Source – Governmental Activities



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information can be useful to the District in assessing financing requirements. The unreserved fund balance is divided between designated and undesignated balances. The District has designated some of the unreserved fund balance for certain government-wide liabilities and post employment obligations that are not recognized in the governmental funds. Fund balances of capital projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

General fund. The general fund is the chief operating fund of the District. The general fund had at the end of the current fiscal year, unreserved and undesignated fund balance of \$1,420,145, while the total fund balance was \$2,773,785. The unreserved and undesignated fund balance increased by \$92,125, while the total fund balance increased by \$459,830 during the current fiscal year. Some of the key factors for this increase are as follows:

- ❖ Property tax revenue has increased by \$1,200,010 or 11.1% primarily from an increase in the tax rate charged on the taxable value of property.
- ❖ State and Federal aid combined decreased by \$1,326,370. State aid decreased by \$961,786, and Federal aid decreased by \$364,584 in comparison with the prior year.

Expenditures for general fund purposes totaled \$21,528,847, an increase of 1.05% during the current fiscal year. This increase has been attributable to increases in instructional and several supporting services expenditures due to increases in salaries for teachers and full-time equivalent staff. Also, operations and maintenance of facilities increased during the current fiscal year.

Capital Projects fund. The capital projects fund had a total fund balance of \$5,995,008, of which \$1,130,110 has been obligated currently for acquisition of capital assets. The remainder is designated for future acquisition of capital assets, purchase of supplies, and related expenditures. The fund balance decreased by \$171,489 during the current fiscal year, due to increases in capital outlay expenditures.

Debt Service fund. The debt service fund had a total fund balance of \$107,804, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance decreased by \$10,546, during the current year, due to a decrease in debt service revenue (taxes) and an increase in debt service payments (principal and interest).

School Lunch fund. The school lunch fund is a special revenue fund. The fund balance total at the end of the current year is \$618,584, all of which is restricted to the school lunch program.

Non K-12 fund. The non K-12 fund is also a special revenue fund. The fund had a total fund balance of \$952,809, all of which is restricted to the non K-12 programs.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The difference between the original budget and the final amended budget was \$131,500 or .58% of total general fund expenditures. The increases are summarized as follows:

- ♦ \$ 70,000 increase in supporting services – instructional staff
- ♦ \$ 100,000 increase in supporting services – district administration
- ♦ \$( 67,500) decrease in supporting services – school administration
- ♦ \$ 35,000 increase in supporting services – business/central
- ♦ \$( 6,000) decrease in supporting services – operation and maintenance of facilities

## GENERAL FUND BUDGETARY HIGHLIGHTS (continued)

During the year, final budgeted revenues stayed the same as the original budgetary estimates. The District had anticipated decreasing the undesignated fund balance, because the final budgeted expenditures were less than the final budgeted revenues by \$762,922.

During the current fiscal year, there was an (\$108,493) unfavorable budget to actual variance in total general fund revenues, and a \$1,316,967 favorable budget to actual variance in total general fund expenditures. The most significant negative budget variances for revenue occurred in other local sources (\$102,896) and federal aid (\$260,041). The most significant positive budget variances for expenditures occurred in instructional services \$627,817, supporting services – students \$206,586 and operation and maintenance of facilities \$220,445.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$30,751,620 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles and buses. The total increase for the District in the current fiscal year was \$475,797, or 1.57% increase from last year.

### Capital Assets at Year-end (Net of Depreciation) 2005

	<u>Governmental activities</u>	
	<u>2005</u>	
Land	\$	3,549,799
Construction in progress		896,483
Buildings and improvements		24,649,299
Furniture and equipment		1,656,039
Net capital assets	\$	<u>30,751,620</u>

## CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

This year's major additions included:

Construction on Carbon High School	\$ 1,003,781
Paid by capital projects funds previous year (Construction in progress current year)	
Construction on various other schools	403,437
Paid by capital projects funds previous year	
Equipment/automobiles – buses and automobiles	293,232

**Debt Administration.** At the end of the current fiscal year, the District had a total bonded debt outstanding of \$14,860,000 and capital leases of \$92,367. This represents a decrease in these debt figures by \$932,592, or 5.9%.

### Carbon School District's Outstanding Debt

	<u>Governmental Activities</u>
	<u>2005</u>
General obligation bonds	\$ 14,860,000
Total General obligation bonds	<u>\$ 14,860,000</u>
Capital leases	\$ 92,367
Total liabilities	<u>\$ 92,367</u>
Note payable - asbestos	\$ 26,402
Total net assets	<u>\$ 26,402</u>
Total outstanding debt (no accrued vacation)	<u><u>\$ 14,978,769</u></u>

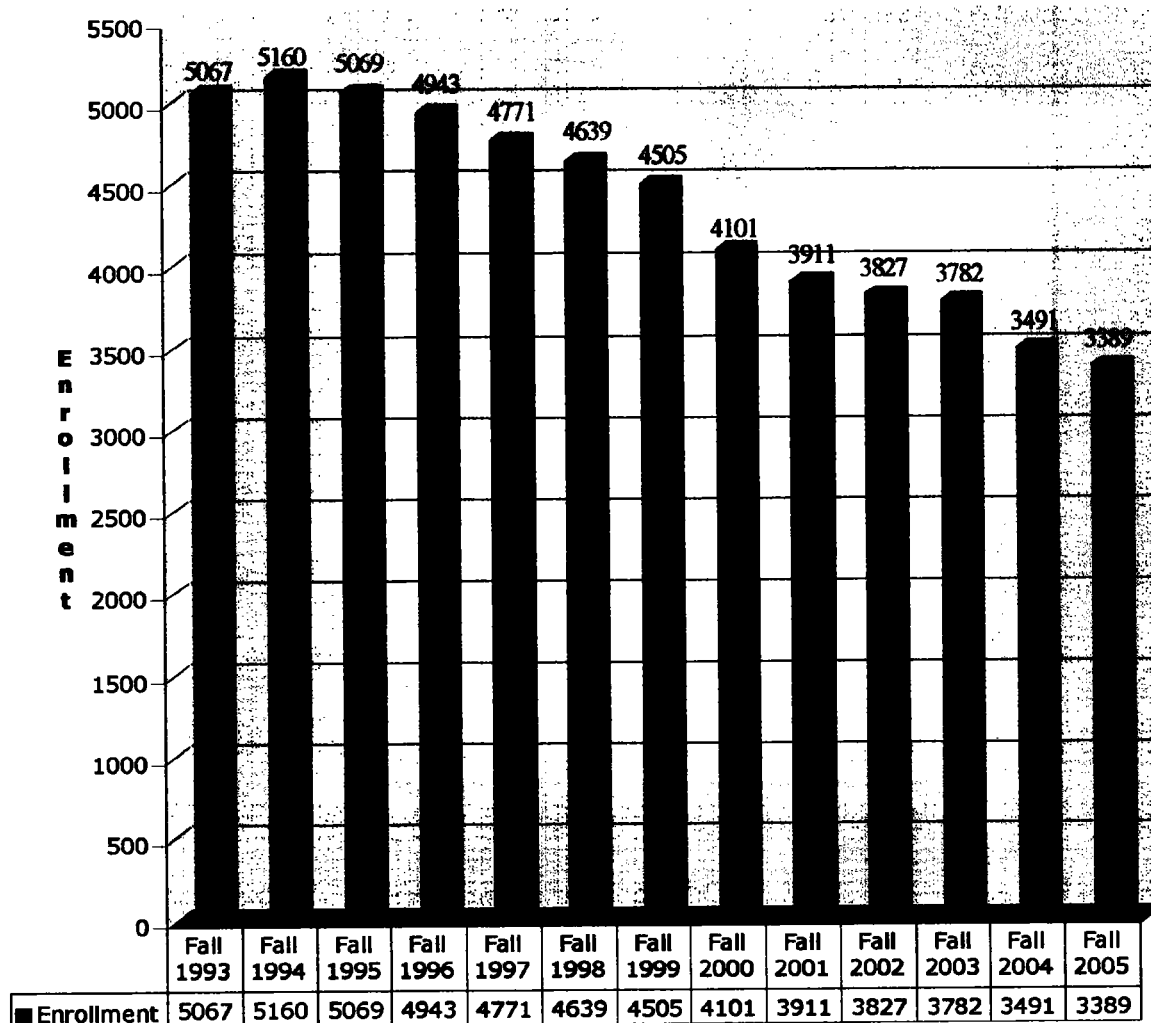
Other obligations include \$392,650 of accrued vacation pay.

## ECONOMIC FACTORS AND FUTURE BUDGETS

### ECONOMIC FACTORS AND FUTURE BUDGETS:

Over the past few years the District has been impacted by a declining enrollment as shown in the following chart:

**Carbon School District Annual Fall Enrollments**





The Carbon School District continues to face some challenges. Decreasing enrollments have continued over the past few years resulting in lower funding. However, this declining enrollment is beginning to level off. During the 2004 and 2005 years, the district has received some hold harmless payments from the state. These payments have been used by the district to increase its fund balances and give employees a small supplemental payment.

The District closed East Carbon High School at the end of the 2005 school year. This school was a small high school located in Sunnyside City located approximately 30 miles from Carbon High School in Price. At the time of its closure, East Carbon High School had just over 100 students in grades 7-12. The district board of education decided that with that number of students, the district could provide a better education at a much lower cost by moving those students to schools in Price. The financial effects of this decision will be to lower school district expenses. This will be partially offset by a loss of small school funds from the state but will still result in a net cost savings to the district.

Like all employers, the school district is struggling with rapidly rising health care costs. The district has handled this by a combination of lower benefits and having employees pay a higher share of the costs. It appears that this will be an ongoing problem for all employers for the foreseeable future and will have to be reviewed each year.

The district currently offers a limited early retirement program to qualifying employees. The district is currently working to assess its potential liabilities created by this program. A careful analysis will be made during the coming year to determine how these liabilities should be reported if modifications need to be made in the early retirement program to reduce or eliminate future liabilities.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our community and all those interested in the school district with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator, Carbon County School District, at P. O. Box 1438 Price, Utah.

**CARBON SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u>GOVERNMENTAL ACTIVITIES</u>
 <b><u>ASSETS</u></b>	
Cash and investments	\$ 13,763,089
Receivables:	
Property taxes	11,006,366
Other governments	1,546,443
Prepays and deposits	242,717
Inventories	586,440
Capital assets:	
Land and construction in progress	4,446,282
Other capital assets, net of accumulated depreciation	<u>26,305,338</u>
Total assets	<u>\$ 57,896,675</u>
 <b><u>LIABILITIES</u></b>	
Accounts payable	\$ 1,693,175
Accrued interest	28,627
Accrued salaries	1,356,113
Bond premium	10,838
Deferred revenue:	
Property taxes	11,940,818
Other governments	1,706,959
Noncurrent liabilities:	
Due within one year	953,501
Due in more than one year	<u>14,417,918</u>
Total liabilities	<u>\$ 32,107,949</u>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	\$ 15,880,778
Restricted for:	
School lunch	618,584
Non K-12 programs	1,379,646
Capital projects	3,589,182
Debt service	1,481,174
Unrestricted	<u>2,839,362</u>
Total net assets	<u>\$ 25,788,726</u>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		TOTAL GOVERNMENTAL ACTIVITIES		
Governmental activities:	\$	15,880,334	\$	63,004	\$	(10,207,865)		
Instructional services:								
Supporting services:								
Students		653,520		213,121		(440,399)		
Instructional staff		703,745		266,842		(436,903)		
District administration		729,075		166,732		(562,343)		
School administration		1,520,848		133,476		(1,387,372)		
Business/central		774,944		255,339		(519,605)		
Operation and maintenance of facilities		2,430,577		72,203		(2,358,374)		
Transportation		1,102,427		519,981		(582,446)		
School lunch services		1,355,844	327,325	946,156		(82,363)		
Capital outlay		2,200,759			\$ 108,700	(2,092,059)		
Interest on long-term liabilities		743,480				(743,480)		
Total governmental activities	\$	28,095,553	\$	390,329	\$	108,700	\$	(19,413,209)
Total school district	\$	28,095,553	\$	390,329	\$	108,700	\$	(19,413,209)
General revenues:								
Property taxes levied for:								
General purposes							\$	5,648,383
Transportation								521,321
Recreation								472,510
Debt service								1,573,865
Capital outlay								3,792,867
Federal and state aid not restricted to specific purposes								8,504,828
Earnings on investments								328,491
Miscellaneous								427,764
Total general revenues and transfers							\$	21,270,029
Change in net assets							\$	1,856,820
Net assets - beginning								23,931,906
Net assets - ending							\$	25,788,726

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 5,838,855	\$ 6,339,791	\$ 1,584,439	\$ 13,763,085
Due from other governmental units	1,350,550	52,622	143,271	1,546,443
Inventory	481,146		105,294	586,440
Property taxes receivable	5,668,124	3,589,182	1,749,060	11,006,366
Prepays and deposits	242,717			242,717
Total assets	<u>\$ 13,581,392</u>	<u>\$ 9,981,595</u>	<u>\$ 3,582,064</u>	<u>\$ 27,145,051</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 1,265,098	\$ 397,405	\$ 30,672	\$ 1,693,175
Accrued salaries and liabilities	1,312,748		43,361	1,356,109
Deferred revenue:				
Property taxes	6,602,576	3,589,182	1,749,060	11,940,818
Other governments	1,627,185		79,774	1,706,959
Total liabilities	<u>\$ 10,807,607</u>	<u>\$ 3,986,587</u>	<u>\$ 1,902,867</u>	<u>\$ 16,697,061</u>
Fund balances:				
Reserved for:				
Debt service			\$ 107,804	\$ 107,804
Construction commitments		\$ 1,130,110		1,130,110
Unreserved:				
Designated for:				
Undistributed reserve	\$ 300,000			300,000
Special transportation	563,063			563,063
Tort liability	190,577			190,577
Employee benefit obligations	300,000			300,000
Undesignated, reported in:				
General fund	1,420,145			1,420,145
Special revenue funds			1,571,393	1,571,393
Capital projects fund		4,864,898		4,864,898
Total fund balances	<u>\$ 2,773,785</u>	<u>\$ 5,995,008</u>	<u>\$ 1,679,197</u>	<u>\$ 10,447,990</u>
Total liabilities and fund balances	<u>\$ 13,581,392</u>	<u>\$ 9,981,595</u>	<u>\$ 3,582,064</u>	<u>\$ 27,145,051</u>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:

<b>Total fund balance - governmental funds:</b>	<b>\$ 10,447,990</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$52,580,822 and the accumulated depreciation is \$21,829,202.	30,751,620
To recognize interest accrual to year end. Accrued interest for general obligation bonds is \$28,050 and accrued interest for obligations under capital leases is \$577.	(28,627)
Bond issuance premium is reported as revenue in the governmental funds. The premium is \$13,547 and the accumulated reduction in interest expense is \$2,709.	(10,838)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(15,371,419)</u>
<b>Net assets of government activities</b>	<b><u>\$ 25,788,726</u></b>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	GENERAL FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>				
Property taxes	\$ 6,169,704	\$ 3,792,867	\$ 2,046,375	\$ 12,008,946
Earnings on investments	328,012		479	328,491
School lunch sales			327,325	327,325
Other local sources	458,164		32,600	490,764
State aid	13,255,560		457,302	13,712,862
Federal aid	1,762,959	52,622	1,268,400	3,083,981
<b>Total revenues</b>	<b>\$ 21,974,399</b>	<b>\$ 3,845,489</b>	<b>\$ 4,132,481</b>	<b>\$ 29,952,369</b>
<b>EXPENDITURES:</b>				
Current:				
Instructional services	\$ 13,979,683		\$ 1,115,002	\$ 15,094,685
Supporting services:				
Students	645,414			645,414
Instructional staff	661,306			661,306
District administration	675,199			675,199
School administration	1,505,168			1,505,168
Business/central	763,807			763,807
Operation and maintenance of facilities	2,333,555			2,333,555
Transportation	930,798			930,798
School lunch services			1,294,164	1,294,164
Capital outlay		\$ 4,031,918		4,031,918
Debt service:				
Principal retirement	27,683		843,367	871,050
Interest and fiscal charges	6,234		741,523	747,757
<b>Total expenditures</b>	<b>\$ 21,528,847</b>	<b>\$ 4,031,918</b>	<b>\$ 3,994,056</b>	<b>\$ 29,554,821</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$ 445,552</b>	<b>\$ (186,429)</b>	<b>\$ 138,425</b>	<b>\$ 397,548</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	\$ 14,278	\$ 14,940		\$ 29,218
<b>Total other financing sources (uses)</b>	<b>\$ 14,278</b>	<b>\$ 14,940</b>	<b>\$ ...</b>	<b>\$ 29,218</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>\$ 459,830</b>	<b>\$ (171,489)</b>	<b>\$ 138,425</b>	<b>\$ 426,766</b>
<b>FUND BALANCES - beginning of year</b>	<b>2,313,955</b>	<b>6,166,497</b>	<b>1,540,772</b>	<b>10,021,224</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 2,773,785</b>	<b>\$ 5,995,008</b>	<b>\$ 1,679,197</b>	<b>\$ 10,447,990</b>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	426,766
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 1,763,750		
Loss on disposal of capital assets	30,939		
Proceeds from sale of capital assets	(29,218)		
Depreciation expense	<u>(1,289,674)</u>		475,797

Fixed assets acquired by capital leases are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the lease is less than the District's capitalization threshold; the District has elected to expense the equipment. The other financing source must be removed from the statement of activities, principal payments are applied to the lease liability; interest expense is recognized as it accrues.

Interest expense - capital leases	\$ 300		
Principal payments of capital assets	<u>95,096</u>		95,396

The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	\$ 843,367		
Interest expense - general obligation bonds	1,268		
Amortization of bond premium	<u>2,709</u>		847,344

In the statement of activities, certain operating expenses--compensated absences (vacations), special termination benefits (early retirement) and claims (arbitrage rebates)-- are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, vacation payable decreased by \$11,517.

Change in net assets of governmental activities	\$	<u>1,856,820</u>
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"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH</u>
				<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
REVENUES:				
Property taxes	\$ 6,237,564	\$ 6,237,564	\$ 6,169,704	\$ (67,860)
Earnings on investments	250,000	250,000	328,012	78,012
Other local sources	561,060	561,060	458,164	(102,896)
State aid	13,011,268	13,011,268	13,255,560	244,292
Federal aid	2,023,000	2,023,000	1,762,959	(260,041)
<b>Total revenues</b>	<b>\$ 22,082,892</b>	<b>\$ 22,082,892</b>	<b>\$ 21,974,399</b>	<b>\$ (108,493)</b>
EXPENDITURES:				
Current:				
Instructional services	\$ 14,607,500	\$ 14,607,500	\$ 13,979,683	\$ 627,817
Supporting services:				
Students	852,000	852,000	645,414	206,586
Instructional staff	672,000	742,000	661,306	80,694
District administration	584,714	684,714	675,199	9,515
School administration	1,610,000	1,542,500	1,505,168	37,332
Business/central	774,800	809,800	763,807	45,993
Operation and maintenance of facilities	2,560,000	2,554,000	2,333,555	220,445
Transportation	1,014,300	1,014,300	930,798	83,502
Debt service:				
Principal retirement	30,000	30,000	27,683	2,317
Interest and fiscal charges	9,000	9,000	6,234	2,766
<b>Total expenditures</b>	<b>\$ 22,714,314</b>	<b>\$ 22,845,814</b>	<b>\$ 21,528,847</b>	<b>\$ 1,316,967</b>
Excess of revenue over (under) expenditures	\$ (631,422)	\$ (762,922)	\$ 445,552	\$ 1,208,474
OTHER FINANCING SOURCES (USES):				
Proceeds sale of assets			\$ 14,278	\$ 14,278
<b>Total other financing sources (uses)</b>	<b>\$ ...</b>	<b>\$ ...</b>	<b>\$ 14,278</b>	<b>\$ 14,278</b>
Net change in fund balances	\$ (631,422)	\$ (762,922)	\$ 459,830	\$ 1,222,752
FUND BALANCES - beginning of year	631,422	2,313,955	2,313,955	
FUND BALANCES - end of year	\$ ...	\$ 1,551,033	\$ 2,773,785	\$ 1,222,752

"The notes to the financial statements are an integral part of this statement."



**CARBON SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<u>STUDENT ACTIVITY</u>
	<u>AGENCY FUND</u>
 <u><b>ASSETS</b></u>	
Cash and investments	<u>\$ 316,151</u>
Total assets	<u><u>\$ 316,151</u></u>
 <u><b>LIABILITIES</b></u>	
Due student groups	\$ 230,414
Due school activities	<u>85,737</u>
Total liabilities	<u><u>\$ 316,151</u></u>

"The notes to the financial statements are an integral part of this statement."

**CARBON SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Carbon School District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis*—for State and Local Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

- Change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**A. Reporting Entity**

The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. All financial activities over which the District has oversight responsibilities are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operation, and accountability for fiscal matter. According to the above criteria, no other entities have been included in the District's financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.
- The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Additionally, the government reports the following fund type:

- The student activities agency fund (a fiduciary fund) accounts for assets held on behalf of student groups.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all property taxes.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**D. Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for all governmental funds. Budgets are not adopted for the trust or agency funds. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1<sup>st</sup>. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30<sup>th</sup>.
- Copies of the proposed budget are made available for public inspection and by review of the patrons of the District.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations but increases in appropriations by fund, require a public hearing prior to amending the budget. In accordance with Utah State law, interim adjustments may be made by the administrative transfer of money from one appropriation to another within any given fund.
- Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2004, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

**E. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

Investments are reported at fair value. The PTIF's reported value is basically the same as the fair value of the Fund's shares.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

**G. Inventories and Prepaid Items**

Inventories are valued at cost, with the exception of the treatment of donated inventories described below, and the District uses the first-in, first-out (FIFO) method. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Federal food commodities inventory is disclosed separately with an offset to reserved fund balance. Federal food commodities inventory is valued according to published price lists provided by the U.S. Department of Agriculture.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental-wide and fund financial statements.

**H. Capital Assets**

Capital assets, which include land, buildings, improvements, vehicles, technology and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, vehicles, technology and equipment of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Improvements	20
Vehicles	5-8
Technology	5
Equipment	5-20

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)**

I. **Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused sick leave benefits. Employees may accumulate up to 140 days and will be paid \$15.00 for each day that is vested for sick days. Days accumulated in excess of 140 days are paid at \$45 per day. Also, if the individual is no longer an employee of the School District, the accumulated sick days are paid at the same rate. Actual liability for vacation has been computed using current pay rate per day for each employee multiplied by the number of days of vacation.

J. **Early Retirement**

The District has adopted a policy to permit eligible employees to take an early retirement. The District will pay, up to three years, annual pension benefits equal to twenty percent of the employees current contract salary. During the early retirement period, the District continues to pay for health and accident insurance as part of the District's insurance plan for up to seven years, if the employee had at least twenty years of service. An amount has been reserved for the liability in the government-wide financial statements.

K. **Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. **DEPOSITS AND INVESTMENTS**

Deposits and investing for the District is governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

## **2. DEPOSITS AND INVESTMENTS (Continued)**

### **Deposits**

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the District's bank balance of cash on deposit was \$ 1,848,158, of this amount \$142,021 was insured. The remaining \$ 1,706,137 of the deposits are uninsured and uncollateralized.

### **Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.



2. **DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Pool	\$ 11,354,986	\$ 11,354,986			
Total Investments	\$ 11,354,986	\$ 11,354,986	\$ ...	\$ ...	\$ ...

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, banker's acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

*Credit Risk*

Credit risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments, but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Pool	\$ 11,354,986				\$ 11,354,986
Total Investments	\$ 11,354,986	\$ ...	\$ ...	\$ ...	\$ 11,354,986

## **2. DEPOSITS AND INVESTMENTS (Continued)**

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### *Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of June 30, 2005, the District had \$ 11,354,986 invested in the Public Treasurer's Investment Fund and was held by them.

## **3. PROPERTY TAXES**

The property tax revenue of the District is collected and distributed by the Carbon County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty.

If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of June 30, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

3. **PROPERTY TAXES (Continued)**

Beginning January 1, 1992, there was levied in lieu of the ad valorem tax, an annual uniform fee based on the value of motor vehicles. The uniform fee was 1.5% of the fair market statewide value of the property, as established by the State Tax Commission. On January 1, 1999, legislation became effective which made motor vehicles weighing 12,000 pounds or less subject to an "age-based" fee that is due each time the vehicle is registered. The revenues collected in each county from the uniform fee is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes age-based fee as revenue when the County collects it.

4. **CAPITAL ASSETS**

The Capital asset activity for Carbon School District for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,549,799			\$ 3,549,799
Construction in progress	<u>148,067</u>	<u>\$ 896,483</u>	<u>\$ (148,067)</u>	<u>896,483</u>
 Total capital assets not being depreciated	 <u>\$ 3,697,866</u>	 <u>\$ 896,483</u>	 <u>\$ (148,067)</u>	 <u>\$ 4,446,282</u>
 Capital assets being depreciated:				
Buildings	\$ 42,784,850	\$ 551,505		\$ 43,336,355
Equipment	1,337,469	170,597	\$ (19,084)	1,488,982
Vehicles	<u>3,390,450</u>	<u>293,232</u>	<u>(374,479)</u>	<u>3,309,203</u>
 Total capital assets being depreciated	 <u>\$ 47,512,769</u>	 <u>\$ 1,015,334</u>	 <u>\$ (393,563)</u>	 <u>\$ 48,134,540</u>

4. **CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Accumulated depreciation for:				
Buildings	\$ 17,704,249	\$ 982,807		\$ 18,687,056
Equipment	866,275	109,451	\$ (17,690)	958,036
Vehicles	<u>2,364,288</u>	<u>197,416</u>	<u>(377,594)</u>	<u>2,184,110</u>
 Total accumulated depreciation	 <u>\$ 20,934,812</u>	 <u>\$ 1,289,674</u>	 <u>\$ (395,284)</u>	 <u>\$ 21,829,202</u>
 Total capital assets, being depreciated, net	 <u>\$ 26,577,957</u>	 <u>\$ (274,340)</u>	 <u>\$ 1,721</u>	 <u>\$ 26,305,338</u>
 Governmental activities capital assets, net	 <u><u>\$ 30,275,823</u></u>	 <u><u>\$ 622,143</u></u>	 <u><u>\$ (146,346)</u></u>	 <u><u>\$ 30,751,620</u></u>

Depreciation expense was charged to functions of the District as follows:

**Governmental Activities:**

Instructional services	\$ 816,588
Supporting services	
Students	8,106
Staff	42,439
District administration	53,876
School administration	27,197
Business/central services	11,137
Operational and maintenance services	97,022
Transportation services	171,629
School lunch	<u>61,680</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 1,289,674</u></u>

4. **CAPITAL ASSETS (Continued)**

The District is obligated at June 30, 2005, under construction commitments as follows:

<u>Project</u>	<u>Project Authorized</u>	<u>Costs to Date</u>	<u>Costs to Complete</u>
School remodeling-various locations	<u>\$ 2,175,224</u>	<u>\$ 1,045,114</u>	<u>\$ 1,130,110</u>

A reservation of fund balance for construction commitments in the capital projects fund has been established to fulfill the required costs to complete at June 30, 2005.

5. **PENSION PLAN**

As of June 30, 2005, Carbon School District contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Funding Policy.** Plan members in the State and School contributory Retirement Systems are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and Carbon School District is required to contribute 8.890% of their annual covered salary. In the State and School Noncontributory Retirement System the Carbon School District is required to contribute 13.380% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**5. PENSION PLAN (Continued)**

The Carbon School District's contributions to the State and School Contributory Retirement System for the years ending June 30, 2005, 2004 and 2003 were \$35,812, \$27,480 and \$24,768 respectively and for the Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$1,714,282, \$1,524,877 and \$1,481,766 respectively. The contributions were equal to the required contributions for each year.

**401(k) Defined Contribution Plan** – The employees of Carbon School District also participated in a 401(k) deferred compensation plan to supplement retirement benefits accrued by participate in the Systems. Employees covered by the State and School Noncontributory Retirement Systems have a contribution of 1.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004, and 2003 are \$212,771, \$197,273 and \$206,597, respectively; employee contributions for the years ending June 30, 2005, 2004 and 2003 are \$349,180, \$374,119 and \$399,316, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

**6. LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2005 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
<b>Bonds payable:</b>				
General obligation bonds	\$ 15,697,500		\$ (837,500)	\$ 14,860,000
Deferred amounts for issuance premium	13,547		(2,709)	10,838
Total bonds payable, net	<u>\$ 15,711,047</u>	<u>\$ ...</u>	<u>\$ (840,209)</u>	<u>\$ 14,870,838</u>
<b>Obligations under capital</b>				
leases	\$ 187,459		\$ (95,092)	\$ 92,367
Accrued vacation	404,167		(11,517)	392,650
Note payable - asbestos	32,269		(5,867)	26,402
Total governmental activity long-term liabilities	<u>\$ 16,334,942</u>	<u>\$ ...</u>	<u>\$ (952,685)</u>	<u>\$ 15,382,257</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The obligations under capital leases and note payable are paid by the general fund. The accrued vacation will be paid by the fund in which the employee worked.

**6. LONG-TERM DEBT (Continued)**

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments is as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2006	\$ 877,500	\$ 695,933	\$ 1,573,433
2007	922,500	652,705	1,575,205
2008	970,000	606,490	1,576,490
2009	1,015,000	556,698	1,571,698
2010	1,075,000	502,652	1,577,652
2011-2015	5,735,000	1,605,988	7,340,988
2016-2020	3,465,000	1,014,137	4,479,137
2021	800,000	20,003	820,003
	<u>\$ 14,860,000</u>	<u>\$ 5,654,606</u>	<u>\$ 20,514,606</u>

**General Obligation Bonds** – General obligation school building bonds payable at June 30, 2005, with their outstanding balance are comprised of the following individual issues:

\$250,000 1986 general obligation school building bonds, due in annual installments of \$12,500, beginning January 1, 2004 through January 1, 2007, non-interest bearing.	\$ 25,000
\$3,540,000 1989 general obligation school building bonds, due in annual installments of \$240,000 to \$610,000, beginning June 15, 2004 through June 15, 2009, interest from 7.10% to 7.20%.	2,180,000
\$7,000,000 2001 general obligation school building bonds, due in annual installments of \$500,000 to \$800,000, beginning June 15, 2011 through June 15, 2021, interest from 4.75% to 5.00%	7,000,000
\$3,000,000 2002 general obligation school building bonds, due in annual installments of \$550,000 to \$650,000, beginning June 15, 2011 through June 15, 2015, interest from 4.20% to 4.65%.	3,000,000
\$3,400,000 2003 general obligation refunding bonds, due in annual installments of \$370,000 to \$1,075,000, beginning June 15, 2004 through June 15, 2010, interest from 2.25% to 2.75%.	<u>2,655,000</u>
	<u>\$ 14,860,000</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005, is \$66,642,342. General obligation debt at June 30, 2005 is \$14,860,000, resulting in a legal debt margin of \$51,782,342.

7. **CAPITAL LEASES**

Carbon School District has entered into lease agreements as lessee for financing the acquisition of copy machines, weight lifting equipment and other equipment to be used by the District personnel and students. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The District has had an ongoing purchasing of copy machines in the past and will continue in the future. The District did not add any new leases in the current year ended June 30, 2005.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, are as follows:

Years Ending <u>June 30,</u>	Governmental <u>Activities</u>
2006	\$ 70,134
2007	18,564
2008	10,460
2009	6,920
2010	3,046
Total minimum lease payments	\$ 109,124
Less: amount representing interest	(16,757)
Present value of minimum lease payment	<u>\$ 92,367</u>

8. **CONTINGENT LIABILITIES**

The amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. The disbursement of funds received under these programs is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the General Fund or other funds that have received the grants. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

9. **RISK MANAGEMENT**

The District also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund.



9. **RISK MANAGEMENT (Continued)**

Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$350 deductible; other liability is limited to the lesser of \$10 million or the statutory limit. The Utah State Risk Management Fund (USRMF) is public entity risk pool operated by the State for the benefit of the State and local governments within the State. The District pays annual premiums to USRMF; USRMF obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the districts pay experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year.

10. **DESIGNATED FOR UNDISTRIBUTED RESERVE**

Utah State law allows for the establishment of an undistributed reserve. The Board of Education must authorize expenditures from the undistributed reserve. This reserve is for contingencies. According to State law, the District may not use undistributed reserves in the negotiation or settlement of contract salaries for District employees. The undistributed reserve may not exceed 5% of the following fiscal year's total general fund budgeted revenues. The expenditure of the reserve requires a written resolution adopted by a majority vote of the Board filed with the Utah State Board of Education and State Auditor.

11. **RECEIVABLES**

Receivables for the government's individual major funds and non-major funds as of June 30, 2005, are as follows:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
Due from other governments:				
State funds	\$ 2,142		\$ 3,764	\$ 5,906
Federal funds	<u>1,348,408</u>	<u>\$ 52,622</u>	<u>139,507</u>	<u>1,540,537</u>
Total	<u>\$ 1,350,550</u>	<u>\$ 52,622</u>	<u>\$ 143,271</u>	<u>\$ 1,546,443</u>
Property taxes	<u>\$ 5,668,124</u>	<u>\$ 3,589,182</u>	<u>\$ 1,749,060</u>	<u>\$ 11,006,366</u>

12. **BUDGETARY COMPLIANCE**

The School District has not overspent any funds.

**CARBON SCHOOL DISTRICT  
COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SCHOOL LUNCH</u>	<u>NON K-12 PROGRAMS</u>	<u>DEBT SERVICE</u>	
<b><u>ASSETS</u></b>				
Cash and investments	\$ 538,460	\$ 931,848	\$ 114,131	\$ 1,584,439
Inventory	105,294			105,294
Due from other governments		143,271		143,271
Property taxes receivable		347,063	1,401,997	1,749,060
Total assets	<u>\$ 643,754</u>	<u>\$ 1,422,182</u>	<u>\$ 1,516,128</u>	<u>\$ 3,582,064</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 23,474	\$ 871	\$ 6,327	\$ 30,672
Accrued salaries and liabilities	1,696	41,665		43,361
Deferred revenue:				
Property taxes		347,063	1,401,997	1,749,060
Other governments		79,774		79,774
Total liabilities	<u>\$ 25,170</u>	<u>\$ 469,373</u>	<u>\$ 1,408,324</u>	<u>\$ 1,902,867</u>
Fund balances:				
Reserved for Debt Service			\$ 107,804	\$ 107,804
Designated for Preschool and Adult Education		\$ 952,809		952,809
Unreserved, undesignated	<u>\$ 618,584</u>			<u>618,584</u>
Total fund balances	<u>\$ 618,584</u>	<u>\$ 952,809</u>	<u>\$ 107,804</u>	<u>\$ 1,679,197</u>
Total liabilities and fund balance	<u>\$ 643,754</u>	<u>\$ 1,422,182</u>	<u>\$ 1,516,128</u>	<u>\$ 3,582,064</u>

**CARBON SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>SPECIAL REVENUE</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SCHOOL LUNCH</u>	<u>NON K-12 PROGRAMS</u>	<u>DEBT SERVICE</u>	
REVENUES:				
Property tax		\$ 472,510	\$ 1,573,865	\$ 2,046,375
Lunch sales	\$ 327,325			327,325
Other local revenues		32,600	479	33,079
State aid	162,372	294,930		457,302
Federal aid	783,784	484,616		1,268,400
	<u>783,784</u>	<u>484,616</u>	<u></u>	<u>1,268,400</u>
Total revenues	<u>\$ 1,273,481</u>	<u>\$ 1,284,656</u>	<u>\$ 1,574,344</u>	<u>\$ 4,132,481</u>
EXPENDITURES:				
Current:				
Instructional services		\$ 1,115,002		\$ 1,115,002
School lunch services	\$ 1,294,164			1,294,164
Debt Service:				
Principal retirement			\$ 843,367	843,367
Interest and fiscal charges			741,523	741,523
	<u></u>	<u></u>	<u></u>	<u></u>
Total expenditures	<u>\$ 1,294,164</u>	<u>\$ 1,115,002</u>	<u>\$ 1,584,890</u>	<u>\$ 3,994,056</u>
Excess of revenues over (under) expenditures	<u>\$ (20,683)</u>	<u>\$ 169,654</u>	<u>\$ (10,546)</u>	<u>\$ 138,425</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ (20,683)</u>	<u>\$ 169,654</u>	<u>\$ (10,546)</u>	<u>\$ 138,425</u>
Fund Balances - Beginning of year	<u>639,267</u>	<u>783,155</u>	<u>118,350</u>	<u>1,540,772</u>
Fund Balances - End of year	<u>\$ 618,584</u>	<u>\$ 952,809</u>	<u>\$ 107,804</u>	<u>\$ 1,679,197</u>

**CARBON SCHOOL DISTRICT**  
**SCHEDULE OF PROPERTY TAX CERTIFIED RATE**  
**FOR THE PAST SIX YEARS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	CERTIFIED RATE					
	1999	2000	2001	2002	2003	2004
Maintenance and Operation -						
Basic program	.001840	.001881	.001785	.001807	.001825	.001800
Voted leeway	.000283	.000210	.000179	.000188	.001100	.001100
Board approved					.000188	.000188
Judgement recovery			.000431			
Subtotal	.002123	.002091	.002395	.001995	.003113	.003088
Capital Outlay and Debt Service -						
Basic program	.002125	.002254	.002273	.001370	.001365	.001356
10% additional basic	.001231	.001003	.000973	.000823	.000882	.000723
Subtotal	.003356	.003257	.003246	.002193	.002247	.002079
Recreation	.000165	.000161	.000168	.000258	.000273	.000260
Tort liability	.000027	.000026	.000019	.000021	.000022	.000021
Transportation	.000234	.000294	.000282	.000300	.000300	.000286
General Obligation Debt				.000964	.001035	.000861
Total certified rate	.005905	.005829	.006110	.005731	.006990	.006595

**CARBON SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**SCHOOL LUNCH PROGRAM OPERATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	TOTAL	CASTLE HEIGHTS	CREEKVIEW	HELPER SALLY MAURO	PETERSEN ELEMENTARY AND EAST CARBON HIGH	WELLINGTON
<b>REVENUES:</b>						
School lunch sales (Schedule 13)	\$ 327,325	\$ 54,329	\$ 41,154	\$ 31,787	\$ 7,613	\$ 33,443
State reimbursement	162,372	18,989	20,735	17,834	16,670	19,874
Federal reimbursement	783,784	85,485	96,235	87,244	84,607	96,961
Total revenues	\$ 1,273,481	\$ 158,803	\$ 158,124	\$ 136,865	\$ 108,890	\$ 150,278
<b>EXPENDITURES:</b>						
Salaries	\$ 427,555	\$ 57,083	\$ 55,761	\$ 50,428	\$ 50,702	\$ 44,625
Employee benefits	211,247	32,287	38,288	24,482	18,235	28,436
Purchased services/property	22,688	719	3,426	267	6,501	3,182
Supplies	17,461	2,523	2,469	2,237	1,669	1,748
Food	519,148	68,874	72,583	54,055	44,184	56,626
Other	70,278	9,381	9,166	8,289	8,334	7,335
USDA Commodities	25,787	3,123	4,974	3,245	2,068	3,634
Total expenditures	\$ 1,294,164	\$ 173,990	\$ 186,667	\$ 143,003	\$ 131,693	\$ 145,586
<b>NET REVENUES (EXPENDITURES)</b>	\$ (20,683)	\$ (15,187)	\$ (28,543)	\$ (6,138)	\$ (22,803)	\$ 4,692
<b>FUND BALANCE, June 30, 2004</b>	639,267					
<b>FUND BALANCE, June 30, 2005</b>	\$ 618,584					

**CARBON SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**SCHOOL LUNCH PROGRAM OPERATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	HELPER JR. HIGH	MONT HARMON JR. HIGH	CARBON HIGH	CASTLE VALLEY CENTER
<b>REVENUES:</b>				
School lunch sales	\$ 27,420	\$ 65,045	\$ 55,226	\$ 11,308
State reimbursement	11,118	24,113	24,472	8,567
Federal reimbursement	54,351	113,022	121,278	44,601
<b>Total revenues</b>	<b>\$ 92,889</b>	<b>\$ 202,180</b>	<b>\$ 200,976</b>	<b>\$ 64,476</b>
<b>EXPENDITURES:</b>				
Salaries	\$ 25,738	\$ 42,913	\$ 75,387	\$ 24,918
Employee benefits	14,932	15,879	23,968	14,740
Purchased services/property	1,928	839	5,406	420
Supplies	1,372	1,345	3,178	920
Food	42,565	83,040	61,861	35,360
Other	4,231	7,054	12,392	4,096
USDA Commodities	1,125	2,438	2,189	2,991
<b>Total expenditures</b>	<b>\$ 91,891</b>	<b>\$ 153,508</b>	<b>\$ 184,381</b>	<b>\$ 83,445</b>
<b>NET REVENUES (EXPENDITURES)</b>	<b>\$ 998</b>	<b>\$ 48,672</b>	<b>\$ 16,595</b>	<b>\$ (18,969)</b>

**CARBON SCHOOL DISTRICT  
ANALYSIS OF MEALS SERVED AND REVENUE RECEIVED  
BREAKFAST AND SCHOOL LUNCH PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>NUMBER</u>	<u>SELLING PRICE</u>	<u>AMOUNT</u>
<b>BREAKFAST PROGRAM -</b>			
<b>PAID MEALS SERVED CHILDREN:</b>			
Elementary schools	15,815	0.75	\$ 11,861.25
Middle school	10,144	0.75	7,608.00
Secondary schools	6,876	0.75	5,157.00
	<u>32,835</u>		<u>\$ 24,626.25</u>
<b>PAID MEALS SERVED ADULTS:</b>	<u>13</u>	1.00	13.00
<b>REDUCED MEALS SERVED CHILDREN</b>	<u>15,647</u>	0.30	4,694.10
<b>EXTRA MILK</b>	<u>0</u>		0.00
<b>FREE MEALS SERVED CHILDREN</b>	<u>99,103</u>		
<b>FREE MEALS SERVED WORKERS:</b>			
Free children			
Cooks	<u>27</u>		
<b>Total free meals served workers</b>	<u>27</u>		
<b>Total meals and extra milk served</b>	<u>147,625</u>		
<b>ESTIMATED POTENTIAL REVENUE</b>			<u>\$ 29,333.35</u>
<b>NET DIFFERENCE BETWEEN POTENTIAL AND AND ACTUAL REVENUE</b>			<u>305.44</u>
<b>SCHOOL LUNCH SALES (Schedule 12)</b>			<u>\$ 29,638.79</u>

**CARBON SCHOOL DISTRICT**  
**ANALYSIS OF MEALS SERVED AND REVENUE RECEIVED**  
**BREAKFAST AND SCHOOL LUNCH PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>NUMBER</u>	<u>SELLING PRICE</u>	<u>AMOUNT</u>
<b>SCHOOL LUNCH PROGRAM -</b>			
<b>PAID MEALS SERVED CHILDREN:</b>			
Elementary schools	114,468	1.10	\$ 125,914.80
Middle school	59,221	1.25	74,026.25
Secondary schools	28,976	1.50	43,464.00
	<hr/>		<hr/>
Total paid meals served children	202,665		\$ 243,405.05
	<hr/>		
<b>PAID MEALS SERVED ADULTS:</b>	10,940	2.50	27,350.00
	<hr/>		
<b>REDUCED MEALS SERVED CHILDREN</b>	52,831	0.40	21,132.40
	<hr/>		
<b>EXTRA MILK</b>	5,472	0.25	1,368.00
	<hr/>		
<b>OTHER - PRESCHOOL</b>	898	1.10	987.80
	<hr/>		
<b>FREE MEALS SERVED CHILDREN</b>	187,454		
	<hr/>		
<b>FREE MEALS SERVED WORKERS:</b>			
Paid children	964		
Reduced children	800		
Free children	144		
Cooks	5,305		
	<hr/>		
Total free meals served workers	7,213		
	<hr/>		
<b>OTHER REVENUE:</b>			
Snack bar - all locations			<hr/>
Total meals and extra milk served	467,473		
	<hr/>		
<b>ESTIMATED POTENTIAL REVENUE</b>			\$ 294,243.25
<b>NET DIFFERENCE BETWEEN POTENTIAL AND AND ACTUAL REVENUE</b>			3,442.96
			<hr/>
<b>SCHOOL LUNCH SALES (Schedule 12)</b>			\$ 297,686.21
			<hr/>



**CARBON SCHOOL DISTRICT  
DETAIL SCHEDULE OF BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2005**

A detail payment schedule of all the bonds payable of Carbon County School District as of June 30, 2005 is set forth below:

**CARBON COUNTY SCHOOL DISTRICT - SCHOOL BUILDING BONDS**

**SERIES 2003**

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2006	\$ 241,750	\$ 33,063				
2007	175,625	28,788	\$ 33,063	2.25%	2006	\$ 380,000
2008	118,050	24,400	28,788	2.25%	2007	390,000
2009	69,250	19,844	24,400	2.25%	2008	405,000
2010	29,563	14,781	19,844	2.50%	2009	405,000
2011			14,781	2.75%	2010	1,075,000
Totals		\$ 120,875	\$ 120,875			\$ 2,655,000

**SERIES 1986**

YEAR ENDED JUNE 30,	INTEREST RATE	PRINCIPAL SUM PAYABLE	
		JANUARY 1,	AMOUNT
2006	NO-INTEREST	2006	\$ 12,500
2007	NO-INTEREST	2007	12,500
			\$ 25,000

**SERIES 1989**

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2005	\$ 407,278	\$ 78,359		7.15%	2006	\$ 485,000
2006	250,560	61,020	\$ 78,359	7.15%	2007	520,000
2007	128,520	42,300	61,020	7.20%	2008	565,000
2008	43,920	21,960	42,300	7.20%	2009	610,000
2009			21,960	7.20%		
Totals		\$ 203,639	\$ 203,639			\$ 2,180,000

**CARBON SCHOOL DISTRICT  
DETAIL SCHEDULE OF BONDS PAYABLE  
FOR THE YEAR ENDED JUNE 30, 2005**

SERIES 2001

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2005	\$ 3,922,115	\$ 169,951		4.75%		
2006	3,582,213	169,951	\$ 169,951	4.75%		
2007	3,242,311	169,951	169,951	4.75%		
2008	2,902,409	169,951	169,951	4.75%		
2009	2,562,507	169,951	169,951	4.75%		
2010	2,222,605	169,951	169,951	4.75%		
2011	1,882,703	158,076	169,951	4.75%	2011	\$ 500,000
2012	1,566,551	145,726	158,076	4.75%	2012	520,000
2013	1,275,099	132,783	145,726	4.75%	2013	545,000
2014	1,009,533	119,245	132,783	4.75%	2014	570,000
2015	771,043	104,995	119,245	4.75%	2015	600,000
2016	561,053	89,995	104,995	4.80%	2016	625,000
2017	381,063	74,155	89,995	4.80%	2017	660,000
2018	232,753	57,250	74,155	4.90%	2018	690,000
2019	118,253	39,125	57,250	5.00%	2019	725,000
2020	40,003	20,000	39,125	5.00%	2020	765,000
2021			20,003	5.00%	2021	800,000
Totals		\$ 1,961,056	\$ 1,961,059			\$ 7,000,000

SERIES 2002

YEAR ENDED JUNE 30,	TOTAL INTEREST REMAINING TO MATURITY	INTEREST PAYABLE ON		INTEREST RATE	PRINCIPAL SUM PAYABLE	
		DECEMBER 15,	JUNE 15,		JUNE 15,	AMOUNT
2005	\$ 1,083,463	\$ 66,594		4.20%		
2006	950,275	66,594	\$ 66,594	4.20%		
2007	817,087	66,594	66,594	4.20%		
2008	683,899	66,594	66,594	4.20%		
2009	550,711	66,594	66,594	4.20%		
2010	417,523	66,594	66,594	4.20%		
2011	284,335	55,044	66,594	4.20%	2011	\$ 550,000
2012	174,247	42,681	55,044	4.30%	2012	575,000
2013	88,885	29,331	42,681	4.45%	2013	600,000
2014	30,223	15,113	29,331	4.55%	2014	625,000
2015			15,113	4.65%	2015	650,000
Totals		\$ 541,733	\$ 541,733			\$ 3,000,000
Total Bonds Payable						\$ 14,860,000

**SMUIN, RICH & MARSING**

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**MEMBERS**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Honorable Board of Education  
Carbon School District  
Price, Utah 84501

**RE: Report on Legal Compliance with Applicable  
Utah State Laws and Regulations**

We have audited the financial statements of Carbon School District for the year ended June 30, 2005 and have issued our report thereon dated November 1, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2005.

The District received the following major State assistance program from the State of Utah.

Minimum School Program (State Office of Education)  
State Liquor Tax (State Office of Education)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Driver Training (State Office of Education)  
Substance Abuse (Department of Health)  
UPASS (State Office of Education)  
Waterford grant (State Office of Education)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements

Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Carbon School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Carbon School District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

SMUIN, RICH & MARSING



Price, Utah

November 1, 2005

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Carbon School District  
Price, Utah 84501

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements Per-  
formed in Accordance With Government  
Auditing Standards

We have audited the financial statements of Carbon School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING

*Smuin, Rich & Marsing*

Price, Utah

November 1, 2005

# SMUIN, RICH & MARSING

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Honorable Board of Education  
Carbon School District  
Price, Utah 84501

RE: Report on Compliance With Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance With OMB Circular A-133

## Compliance

We have audited the compliance of Carbon School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements, laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

### Internal Control Over Compliance

The management of Carbon School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING



Price, Utah

November 1, 2005



**CARBON SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED (DEFERRED) REVENUE AT JUNE 30, 2005
<b>U.S. DEPARTMENT OF EDUCATION</b> Passed through State Department of Education: Title I - Child Low Income FY05 Title I - Child Low Income FY04 Title I - Neglected and Delinquent P.L. 101476 Formula English Language Acq P.L. 99-457 EHA-B Preschool FY05 TITLE VI - Curriculum Vocational Education Title II B Adult Basic Education FY05 Technology Literacy Challenge Drug-Free Schools Rural Schools Improving Teacher Quality FY04 Improving Teacher Quality FY05	84 010	*	\$ 559,749	\$	\$ 351,556	\$ 351,556	
	84 010	*	606,952		308,353	308,353	
	84 013		6,160		6,160	6,160	
	84 027	*	813,982		813,982	813,982	
	84 162		197		197	197	
	84 173		46,297		46,297	46,297	
	84 298		20,512		20,512	20,512	
	84 048		91,352		91,352	91,352	
	84 002		63,764		63,764	63,764	
	84 303		18,212		18,212	18,212	
	84 186A		22,549		22,549	22,549	
	84 358		1,695		1,695	1,695	
	84 367	*	228,873		39,312	39,312	
	84 367	*	222,950		149,817	149,817	
			\$ 2,703,244	\$	\$ 1,933,758	\$ 1,933,758	\$
<b>Total passed through State Department of Education</b>							
<b>Total Department of Education</b>							
			\$ 2,703,244	\$	\$ 1,933,758	\$ 1,933,758	\$

**CARBON SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR /PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCURED (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCURED (DEFERRED) REVENUE AT JUNE 30, 2005
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>							
Passed through State Department of Agriculture:							
National School Lunch Program	10.555	*	\$ 568,372		\$ 568,372	\$ 568,372	
National School Breakfast Program	10.553	*	184,968		169,726	169,726	
U.S.D.A. Commodities	10.565		45,686		45,686	45,686	
Forest Reserve	10.665		1,884		1,884	1,884	
Total Department of Agriculture			\$ 800,910	\$ ...	\$ 785,668	\$ 785,668	\$ ...
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>							
Passed through State Department of Health and Human Services:							
National Health Promotion - Tobacco Cessation	93.990		\$ 21,762		\$ 21,762	\$ 21,762	
Medical Assistance Program Title XIX	93.778		371,145		371,145	371,145	
Total Department of Health and Human Services			\$ 392,907	\$ ...	\$ 392,907	\$ 392,907	\$ ...
Total Federal Assistance			\$ 3,897,061	\$ ...	\$ 3,112,333	\$ 3,112,333	\$ ...

\* Tested as Major Program

**CARBON SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of program activity of the District's federal award programs and does not necessarily present transactions that would be included in financial statements of the District presented on the modified accrual basis of accounting, as contemplated by generally accepted accounting principles

**2. U.S.D.A. COMMODITIES**

Nonmonetary assistance of U.S.D.A. commodities are reported in the schedule at the fair market value of the commodities consumed during the year. Market values are received monthly from U.S.D.A., detailing the market value of the goods received.

**CARBON SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Carbon School District.
2. There were no reportable conditions or material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of Carbon School District were disclosed by the audit.
4. There were no reportable conditions or material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal award programs for Carbon School District expresses an unqualified opinion.
6. The audit of Carbon School District's major programs disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
School Lunch Program	10.555
Chapter 1 – Child Low Income	84.010
Special Education Program	84.027
Improving Teacher Quality	84.367

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Carbon School District was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**CARBON SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Carbon School District had no prior audit findings that were required to be reported in the previous audited financial statements.

# SMUIN, RICH & MARSING

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MEMBERS  
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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

November 25, 2005

Honorable Board of Education  
Carbon County School District  
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Carbon County School District for the year ended June 30, 2005. Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems policies and procedures, this memorandum should not be considered all-inclusive. We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

## **INTERNAL CONTROLS AND STATE COMPLIANCE ISSUES**

### **SCHOOL ACCOUNTING AND RECORDS**

We reviewed all of the District's individual schools for proper recording of transactions and documentation to support monies received and disbursed. The schools are performing adequately except for the following items:

1. All public funds should be deposited daily when possible, or at least within three days of receipt. The following schools did not meet the required three-day deposit requirements:

Mont Harmon Jr. High   Creekview Elementary  
Carbon High

2. When testing cash disbursements we found a few instances where checks did not have supporting documentation available for review. The following schools had insufficient supporting documentation:

Peterson Elementary   Sally Mauro Elementary  
Mont Harmon Jr. High

### **SCHOOL ACCOUNTING AND RECORDS (Continued)**

3. While reviewing other areas, we found that bank reconciliations were not being performed timely. Receipted funds in one month were sometimes deposited as late as the next month. The following school was deficient in these areas:

Mont Harmon Jr. High

4. While reviewing the cash receipts and the subsequent depositing of these funds, it became apparent that a school was cashing personal checks. The teachers, and sometimes other individuals, were using the school as a bank. The following school was performing this function:

Mont Harmon Jr. High

We recommend that the School District continue to provide help and assistance to the school Principals and secretaries for proper recording and handling of collections and disbursements. We further recommend that the School District implement regulations that the schools should not be used as banks for the cashing of personal checks. Training should be done on a regular basis and communication for questions and unusual situations should be established.

### **SCHOOL DISTRICT BANK RECONCILIATION**

While reviewing the bank reconciliation process and the subsequent recording of all transactions in the financial statements, we found that sometimes this process is not done on a timely basis. Entries that should be recorded within a reasonable period of time, usually within the next few months, were being recorded at year-end. Although the transactions were not material in nature, they should be recorded on a more timely basis.

We recommend that the District implement a bank reconciliation process that allows all transactions to be found and recorded in the financial statements within a reasonable period of time. This will allow the District to recognize all entries that affect cash and other accounts and provide better financial statement presentation.

### **ADULT EDUCATION PROGRAM**

While reviewing the State compliance for the Adult Education Program, we were required to test several areas and found one compliance issue that the District was not performing properly. The District is required to report an unduplicated number of GEDS to the Utah State Office of Education at the end of the school year. The report submitted to the Utah State Office of Education was higher than what should have been reported.

We recommend that the District review the reporting requirements in relation to the Adult Education Program and ensure that only those who qualify for the GED reporting are included on the report.

**SUMMARY**

We feel the accounting procedures and internal control items and the State compliance items mentioned above are some areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Smuin, Rich & Marsing", written in dark ink.

Price, Utah

November 25, 2005





November 29, 2005

Honorable Board of Education  
Carbon County School District  
Price, Utah 84501

Gentlemen:

This letter is in response to the "Management Letter" dated November 25, 2005 which you have received from Smuin, Rich, & Marsing.

#### SCHOOL ACCOUNTING AND RECORDS

The district administration will continue to work with principals and school secretaries to assure compliance with deposit requirements. This has been discussed with the principal, vice-principal, and secretary of Mont Harmon Jr. High on several occasions. We feel that the principal understands the seriousness of this requirement and will follow through to make sure that there is compliance on this issue in the future.

We will also discuss this with the principals and secretaries of Carbon High School and Creekview Elementary to make sure that they are in compliance in the future.

Beginning with the 2004-2005 school year we are holding regular training sessions with school secretaries. We will review all the issues that have been raised with the auditors during those sessions.

We have met with the principal of Mont Harmon Jr. High and told him that his school is not to cash personal checks. While we are not aware of any other school that is cashing personal checks we will send a notice to all of our schools informing them that they are not to cash personal checks.

#### SCHOOL DISTRICT BANK RECONCILIATION

We have discussed the district bank reconciliation process with the auditors during the audit and have instituted a new reconciliation process in consultation with the auditor.

#### ADULT EDUCATION PROGRAM

We have met with the adult education director and we will be double checking the adult education reports in the future to make sure that there is no duplication.

Sincerely,

William A. Jewkes  
Business Administrator